

Message Text

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ACTION EB-07

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FM AMEMBASSY PARAMARIBO

TO SECSTATE WASHDC 2372

INFO AMEMBASSY GEORGETOWN

AMEMDWSSY KINGSTON

AMEMBASSY SANTO DOMINGO

AMEMBASSY CONAKRY

AMEMBASSY THE HAGUE

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EO 11652: NA

TAGS: EIND EMIN NL NS US

SUBJ: BUAXITE NEGOTIATIONS INCONCLUSIVE

REF: A. 75 PARAMARIBO 716 B. PARAMARIBO 10

1. WITH ALCOA/SURALCO AND GOS ON VERGE OF SIGNING NEW BAUXITE REVENUE AGREEMENT, LATTER SUDDENLY BACKED OUT, INSISTING ON UNACCEPTABLY HIGH GUARANTEED PRODUCTION FOR 1976 WITHOUT PREPAYMENT PROVISION (REF A). RELATIONS BETWEEN TWO SIDES REMAIN AMICABLE. TALKS RECESSED UNTIL FEB 23 WHEN EFFORTS REACH ACCORD RESUME.

2. AFTER GOS NEGOTIATORS REDUCED TO 3 MILLIONS TONS THEIR FORMER DEMAND THAT LEVY BE PAID ON 3.5 MILLION TONS ASSUMED 1976 BAUXITE PRODUCTION, ALCOA AGREED, PROPOSING THAT ACCORD EXTEND FOR FIVE YEARS TO PERMIT ORDERLY OPERATION OF PRE-PAYMENT SCHEME AS PRODUCTION PICKS UP AFTER 1976. COMPANY
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ALSO AGREED INCLUDE LANGUAGE TO SATISFY GOS REQUEST FOR

PROMISE THAT DESPITE ALCOA OBLIGATION TO MINE MINIMUM AMOUNTS IN GUINEA AND AUSTRALIA, CARIBBEAN SUPPLIERS INCLUDING SURINAM WOULD BENEFIT FROM FUTURE INCREASE IN DEMAND. PROVISION FOR REVIEW OF LEVY PERCENTAGE AT ANYTIME SITUATION JUSTIFIES IT ALSO TO BE WRITTEN INTO PACT. FINALLY, COMPANY AGREED THAT REDUNDANT EMPLOYEES TO BE RETAINED DURING SLACK PERIODS.

3. BUT AS AGREEMENT BEING ROUGHED OUT IN ANTICIPATION OF PRIMEMIN ARRAN'S APPROVAL OF MAJOR POINTS, GOS CHIEF NEGOTIATOR RETURNED FROM PM OFFICE TO ANNOUNCE THAT DEAL OFF AND THAT ALCOA MUST AGREE ACTUALLY MINE (AS OPPOSED TO PRE-PAY LEVY ON) 3 MILLION TONS OF BAUXITE IN 1976. SINCE SURALCO NOW PROJECTING ONLY ABOUT 2.1 MILLION PRODUCTION AS INVENTORIES BEING WORKED OFF THIS YEAR, COMPANY UNABLE MEET NEW GOS POSITION.

4. COMMENT: ARRON AND MINDEVELOPMENT CAMBRIDGE HAD EARLIER SEEMED TO ACCEPT PREPAYMENT SCHEME AS ALTERNATIVE TO PRODUCTION GUARANTEE AS MEANS OF CONTROLLING WIDE REVENUE FLUCTUATIONS. HENCE SUDDEN REVERSAL PUZZLING JA THOUGH NOT NECESSARILY OMINOUS FOR COMPANY, GIVEN FRIENDLY ATMOSPHERE OF TALKS AND PLANS CONTINUE THEM. CAMBRIDGE, IN FACT, STRESSED IN PAST -NEGOTIATION INTERVIEW THAT "THERE ARE NO REASONS FOR NATIONALIZATION" SO LONG AS HE COULD "COLLECT REVENUE AT GATE OF THE MINE IN REASONABLE AMOUNTS." THE FACTOR THAT MAY HAVE ENTERED INTO RECESS IS POSSIBLE GOS WISH TO DELAY AGREEMENT FOR MAXIMUM POLITICAL IMPACT WHEN CAMPAIGNING BEGINS FOR POSSIBLE SPRING OR SUMMER ELECTIONS.
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